

Congress of the United States
Washington, DC 20510

August 29, 2001

The President
The White House
Washington, DC 20500

Dear Mr. President:

We are writing for the third time in as many weeks to convey our serious concerns about the deteriorating condition of the federal budget and the nation's economy.

Yesterday, the nonpartisan Congressional Budget Office (CBO) released its Summer Update. The CBO report examines the economic and fiscal outlook for the next ten years by factoring in your tax cut enacted in June, more realistic predictions about future economic growth than were included in your Mid-Session Review, and by assuming that discretionary spending will grow at the rate of inflation -- a rate far less than what you have requested. It does not, however, include \$700 billion in new spending and tax initiatives contained in your Mid-Session Review.

The conclusions of CBO's analysis are unsettling. Yesterday's report shows that if we do nothing more than enact appropriations bills at well under the levels you propose, your economic plan will require spending nearly all of the Medicare surplus in each of the next 5 years, and use money from the Social Security Trust Fund surplus in at least 2001, 2003, and 2004. Over the next five years, that will mean spending nearly \$200 billion of the Social Security and Medicare surpluses -- the same surpluses that you and 500 members of Congress have pledged not to touch.

In the long-term, the picture is equally bleak. As recently as this May, CBO projected 10-year non-Social Security, non-Medicare surpluses of \$2.7 trillion. That number now stands reduced by more than 80 percent. Such a sharp reduction in such a short period of time is not the result of Congressional spending. As you know, the only spending bills signed into law this year have been the two emergency supplemental bills you requested -- bills Congress passed at precisely the level you requested, and not a penny more.

Again, according to the CBO report, there is no non-Social Security, non-Medicare surplus remaining through 2005. Therefore, as Congress and the Administration resume work on the budget, it is imperative that you provide specific guidance on how you intend to pay for the additional spending initiatives you are calling for.

For Democrats, saving the Social Security Surplus is not a symbolic goal – it is a commitment we have made to the American people, and one that we thought you shared.

We believe that defense modernization and education reform are critical to our nation's future, as well. That is why we are asking you to provide the leadership our nation needs to keep our shared commitment to Social Security and Medicare as well as provide a long-term plan to fund the whole host of additional spending initiatives you and Congressional Republicans have called for.

These initiatives include: providing a prescription drug benefit under Medicare, modernizing our military, building a national missile defense, reforming public education, making changes in energy policy, providing health care for the uninsured, extending expiring tax provisions, and restructuring America's farm policy.

The total cost of these unfunded or underfunded priorities approaches \$1 trillion over ten years. If your Administration proceeds with its proposal to privatize Social Security, an additional \$1 trillion would be needed to cover the costs of the transition to this new system.

Although you continue to advance these proposals, your Administration has failed to put forward any plan to reconcile their costs with the rapidly dwindling surplus. We would appreciate the opportunity to meet with you to receive the benefit of your thinking on this matter.

Presidential leadership is critical to resolving complex budget problems. That is the kind of leadership needed now. We need to work together to find ways to fund our nation's priorities, get our economy back on track, and put America back on the path of fiscal responsibility.

We await your reply and stand ready to work with you.

Sincerely,



Richard A. Gephardt
House Democratic Leader



Tom Daschle
Senate Majority Leader



John Spratt
Ranking Member
House Budget Committee



Kent Conrad
Chairman
Senate Budget Committee